Maquassi Hills Local Municipality
(Demarcation Code NW404)
Annual Financial Statements
for the year ended 30 June 2020

Maquassi Hills Local Municipality

(Demarcation Code NW404)
Annual Financial Statements for the year ended 30 June 2020

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Local Municipality
Nature of business and principal activities	Maquassi Hills Local Municipality is a South African Category B municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). The municipality's operations are governed by the Municipal Finance Management Act (Act 56 of 2003), the Municipal Structures Act (Act 177 of 1998), Municipal Systems Act (Act 32 of 2000) and various legislations and regulations
Grading of the Municipality	3
Members of Council	
Mayor	GV Kgabi
Councillors	MD Notwane (Speaker) MN Ntuli IR Dintwe KS Seakane J Pheiffer KJ Selebalo BF Maphatsoe AO Phutiagae TP Bolao SO Masibi NF Maxatshwa GJ Van Zyl LS Mokgalagadi TS Malebatsane MM Moepi GS Maruping - Appointed 01 June 2020 GJ Muller TP Mokgabi MS Madibo KA Mogapi NL Tshingilane SD Manele - Resigned on 31 May 2020
Accounting Officer	VE Zikalala
Chief Finance Officer (CFO)	J Mogoemang - Appointed from 01.09.2019 A. Madisha - Acted from 01.04.2019 to 31.08.2019
Registered office	19 Kruger Street Wolmaransstad 2630
Business address	19 Kruger Street Wolmaransstad 2630
Postal address	Private Bag X3 Wolmaransstad 2630

General Information

Bankers	ABSA Wolmaransstad
Auditors	Auditor - General of South Africa 124 Kock St, Rustenburg, 0300
Attorneys	Motshabi and Modiboa Incorporated Attorneys Phambane Mokone Incorporated Attorneys Leepile Attorneys Incorporated Kgomo Attorneys Incorporated Liezel Venter Attorneys
Enabling legislation	Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 89 of 1991) Municipal Structures Act (Act No 177 of 1998 Water Service Act (Act No.108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemploymrnt Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations

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Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act No 56 of 2003
MIG	Municipal Infrastructure Grant (Previously CMIP)
AGSA	Auditor General of South Africa
PIG	Provincial Infrastructure Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the executive management sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements set out on page 6 to 67 which have been prepared on the going concern basis, were approved and signed by the accounting officer on 30 November 2020 and were signed on its behalf by:

VE Zikalala
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

The Municipality operates in South Africa.

Maquassi Hills Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998).

The operating results and state of affairs of the Municipality are fully set out in the attached financial statements and do not in my opinion require any further comment.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that would require disclosure in the financial statements.

4. Accounting Officer Interest in contracts

The accounting officer has no interests in contracts of the Municipality.

5. Accounting policies

The financial statements have been prepared in accordance with the Standards of GRAP issued by the Accounting Standards Board and in accordance with Section 122(3) of the MFMA (Act 56 of 2003).

Statement of Financial Position as at 30 June 2020

	Note(s)	2020 R	2019 Restated* R
Assets			
Current Assets			
Inventories	3	577 277	662 344
Other financial assets	4	360 000	360 000
Receivables from non exchange transactions	5	56 388 659	58 317 017
Receivables from exchange transactions	6	28 348 390	103 246 760
Cash and cash equivalents	7	24 159 676	16 342 552
		109 834 002	**178 928 673**
Non-Current Assets			
Investment property	8	74 664 000	66 450 000
Property, plant and equipment	9	977 403 492	999 291 935
Other financial assets	4	17 156	27 714
		1 052 084 648	**1 065 769 649**
Non-Current Assets		1 052 084 648	1 065 769 649
Current Assets		109 834 002	178 928 673
Total Assets		**1 161 918 650**	**1 244 698 322**
Liabilities			
Current Liabilities			
Other financial liabilities	10	19 465 360	14 555 763
Payables from exchange transactions	11	329 216 130	265 895 534
VAT payable	12	143 459 211	129 433 772
Consumer deposits	13	2 351 929	2 262 650
Employee benefit obligation	14	373 000	1 111 834
Unspent conditional grants and receipts	15	1 837 416	1 472 783
		496 703 046	**414 732 336**
Non-Current Liabilities			
Other financial liabilities	10	34 024 062	36 052 101
Employee benefit obligation	14	18 232 000	22 134 241
Provisions	16	57 825 043	55 840 798
		110 081 105	**114 027 140**
Non-Current Liabilities		110 081 105	114 027 140
Current Liabilities		496 703 046	414 732 336
Total Liabilities		**606 784 151**	**528 759 476**
Assets		1 161 918 650	1 244 698 322
Liabilities		(606 784 151)	(528 759 476)
Net Assets		**555 134 499**	**715 938 846**
Accumulated surplus		555 134 499	715 938 846

* See Note 41

Statement of Financial Performance

	Note(s)	2020 R	2019 Restated* R
Revenue			
Revenue from exchange transactions			
Licence and permits	17	2 725 626	3 960 765
Service charges	18	188 938 441	165 341 112
Rental of facilities and equipment	19	329 831	459 283
Other income		594 014	1 451 413
Interest revenue	20	82 749 848	74 308 745
Total revenue from exchange transactions		**275 337 760**	**245 521 318**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	43 139 277	41 443 775
Transfer revenue			
Government grants	22	164 952 339	174 241 763
Fines		7 098 650	30 362 189
Total revenue from non-exchange transactions		**215 190 266**	**246 047 727**
		275 337 760	245 521 318
		215 190 266	246 047 727
Total revenue		**490 528 026**	**491 569 045**
Expenditure			
Employee related costs	23	(78 885 913)	(73 512 821)
Remuneration of councillors	24	(9 151 444)	(9 137 714)
Depreciation	25	(50 666 002)	(38 797 470)
Finance costs	26	(10 425 037)	(16 455 809)
Debt impairment	27	(327 270 182)	(309 981 169)
Bulk purchases	28	(119 296 037)	(109 443 682)
Contracted services	29	(32 345 833)	(37 535 403)
General expenses	32	(42 366 857)	(26 903 720)
Total expenditure		**(670 407 305)**	**(621 767 788)**
		-	-
Total revenue		490 528 026	491 569 045
Total expenditure		(670 407 305)	(621 767 788)
Operating deficit		**(179 879 279)**	**(130 198 743)**
Loss on disposal of assets and liabilities		(245 230)	-
Fair value adjustments	45	8 203 442	(42 000)
Actuarial gains/losses	14	6 874 000	12 394 150
		14 832 212	**12 352 150**
Operating surplus/deficit		14 832 212	12 352 150
Deficit before taxation		(165 047 067)	(117 846 593)
Taxation		-	-
Deficit for the year		**(165 047 067)**	**(117 846 593)**

* See Note 41

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2017 as restated	**833 785 439**	**833 785 439**
Changes in net assets		
Deficit for the year as previously stated	(117 846 593)	(117 846 593)
Total changes	(117 846 593)	(117 846 593)
Opening balance as previously reported	856 366 876	856 366 876
Adjustments		
Correction of prior period errors	(140 428 032)	(140 428 032)
Restated* Balance at 01 July 2019 as restated*	**720 181 566**	**720 181 566**
Surplus/(Deficit) for the year	(165 047 067)	(165 047 067)
Total changes	(165 047 067)	(165 047 067)
Balance at 30 June 2020	**555 134 499**	**555 134 499**

Note(s)

* See Note 41

Statement of Cash Flows

	Note(s)	2020 R	2019 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		75 425 907	82 119 537
Government grants		164 852 537	172 329 752
		240 278 444	254 449 289
Payments			
Employee costs		(83 702 739)	(82 685 584)
Suppliers and other payments		(104 095 900)	(67 880 631)
		(187 798 639)	(150 566 215)
Total receipts		240 278 444	254 449 289
Total payments		(187 798 639)	(150 566 215)
Net cash flows from operating activities	43	**52 479 805**	**103 883 074**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(47 689 994)	(98 018 079)
Cash flows from financing activities			
Proceeds from other financial liabilities		2 881 558	2 115 159
Provisions		145 755	145 755
Net cash flows from financing activities		**3 027 313**	**2 260 914**
Net increase/(decrease) in cash and cash equivalents		**7 817 124**	**8 125 909**
Cash and cash equivalents at the beginning of the year		16 342 552	8 216 643
Cash and cash equivalents at the end of the year	7	**24 159 676**	**16 342 552**

* See Note 41

Maquassi Hills Local Municipality

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to note 44)
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Licence and permits	10 323 045	-	**10 323 045**	2 725 626	**(7 [illegible] 419)**	1
Service charges	172 664 392	2 883 430	**175 547 822**	188 938 441	**13 390 619**	
Rental of facilities and equipment	500 000	-	**[illegible]**	329 831	**(170 169)**	2
Other income	2 169 690	8 000 000	**10 169 690**	594 014	**(9 575 676)**	3
Interest revenue	74 093 013	-	**74 093 013**	82 749 848	**[illegible]**	4
Total revenue from exchange transactions	**[illegible] 750 140**	**10 883 430**	**270 633 570**	**275 337 760**	**4 704 190**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	46 226 955	(5 561 372)	**40 665 583**	43 139 277	**2 473 [illegible]**	
Transfer revenue						
Government grants	164 210 000	10 873 644	**175 083 644**	164 952 339	**(10 131 305)**	5
Fines	12 179 771	-	**12 179 771**	7 098 650	**(5 081 121)**	6
Total revenue from non-exchange transactions	**222 616 726**	**5 312 272**	**227 928 998**	**215 190 266**	**(12 738 732)**	
'Total revenue from exchange transactions'	259 750 140	10 883 430	**270 633 570**	275 337 760	**4 704 190**	
'Total revenue from non-exchange transactions'	222 616 726	5 312 272	**227 928 998**	215 190 266	**(12 738 732)**	
Total revenue	**482 366 866**	**16 195 702**	**498 562 568**	**490 528 026**	**(8 034 542)**	
Expenditure						
Employee related costs	(96 086 603)	8 978 939	**(87 107 664)**	(78 885 913)	**8 221 751**	7
Remuneration of councillors	(9 735 394)	-	**(9 735 394)**	(9 151 444)	**583 950**	
Depreciation and amortisation	(46 819 583)	-	**(46 819 583)**	(50 666 002)	**(3 846 419)**	
Finance costs	(3 739 428)	-	**(3 739 428)**	(10 425 037)	**(6 [illegible] 609)**	8
Debt Impairment	(81 430 000)	-	**(81 430 000)**	(327 270 182)	**(245 840 182)**	9
Repairs and maintenance	-	-	**-**	(11 602 871)	**(11 602 871)**	
Bulk purchases	(114 448 150)	-	**(114 448 150)**	(119 296 037)	**(4 847 887)**	
Contracted services	(28 889 487)	3 102 796	**(25 786 691)**	(32 345 833)	**(6 559 142)**	9
General Expenses	(50 009 144)	3 119 898	**(46 889 246)**	(30 763 986)	**16 125 260**	10
Total expenditure	**(431 157 789)**	**15 201 633**	**(415 956 156)**	**(670 407 305)**	**(254 451 149)**	
	482 366 866	16 195 702	**498 562 568**	490 528 026	**(8 034 542)**	
	(431 157 789)	15 201 633	**(415 956 156)**	(670 407 305)	**(254 451 149)**	
Operating deficit	**[illegible] [illegible] 077**	**31 397 335**	**82 606 412**	**(179 [illegible] 279)**	**(262 [illegible] 691)**	
Loss on disposal of assets	-	-	**-**	(245 230)	**(245 230)**	
Fair value adjustments	-	-	**-**	8 203 442	**8 [illegible] 442**	
Actuarial gains/losses	-	-	**-**	6 874 000	**6 874 000**	
	-	-	**-**	**14 832 212**	**14 [illegible] 212**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to note 44)
	R	R	R	R	R	
	51 209 077	31 397 335	**82 606 412**	(179 879 279)	**(262 691)**	
	-	-	-	14 832 212	**14 832 212**	
Surplus for the year	**209 077**	**31 397 335**	**82 412**	**(165 047 067)**	**(247 479)**	
Surplus before taxation	51 209 077	31 397 335	**82 606 412**	(165 047 067)	**(247 479)**	
Taxation	-	-	-	-	-	
Transfers and subsidies - capital (monetary allocations)	29 981 500	5 515 644	**35 497 144**	-	**(35 497 144)**	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to note 44)
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	824 818	-	**824 818**	577 277	**(247 541)**	
Other financial assets	387 714	-	**387 714**	360 000	**(27 714)**	
Receivables from non-exchange transactions	91 448 441	23 389 474	**114 837 915**	56 388 659	**(58 [illegible] 256)**	
Receivables from exchange transactions	-	-	-	28 348 390	**28 348 390**	
Vat Receivable	-	-	-	(143 459 211)	**(143 [illegible] 211)**	
Cash and cash equivalents	(73 460 881)	-	**(73 460 881)**	24 159 676	**97 620 557**	
	19 200 092	**23 389 474**	**42 589 566**	**(33 625 209)**	**(76 214 775)**	
Non-Current Assets						
Investment property	-	-	-	74 664 000	**74 664 000**	
Property, plant and equipment	1 037 194 879	7 134 529	**1 044 329 408**	977 403 492	**(66 925 916)**	
Other financial assets	-	-	-	17 156	**17 156**	
	1 037 194 879	**7 134 529**	**1 044 329 [illegible]**	**1 052 084 [illegible]**	**7 755 [illegible]**	
Non-Current Assets	19 200 092	23 389 474	**42 589 566**	(33 625 209)	**(76 214 775)**	
Current Assets	1 037 194 879	7 134 529	**1 044 329 408**	1 052 084 648	**7 755 240**	
Total Assets	**1 [illegible] 394 971**	**30 524 [illegible]**	**1 086 918 974**	**1 018 459 439**	**(68 460 535)**	
Liabilities						
Current Liabilities						
Other financial liabilities	6 638 225	-	**[illegible] 638 225**	19 465 360	**12 827 135**	
Payables from exchange transactions	136 662 638	(17 633 545)	**119 029 093**	329 216 132	**210 187 039**	
Consumer deposits	2 261 511	-	**2 261 511**	2 351 929	**[illegible] 418**	
Employee benefit obligation	-	-	-	373 000	**373 [illegible]**	
Unspent conditional grants and receipts	-	-	-	1 837 416	**1 837 416**	
Provisions	22 166 977	-	**[illegible] 166 977**	-	**(22 [illegible] 977)**	
	167 729 351	**(17 633 545)**	**150 095 806**	**353 243 837**	**203 148 031**	
Non-Current Liabilities						
Other financial liabilities	41 020 225	-	**41 020 225**	34 024 062	**(6 996 163)**	
Employee benefit obligation	-	-	-	18 232 000	**18 232 000**	
Provisions	34 627 234	-	**34 627 234**	57 825 043	**23 197 809**	
	75 647 [illegible]	-	**75 647 459**	**110 081 105**	**34 433 [illegible]**	
	167 729 351	(17 633 545)	**150 095 806**	353 243 837	**203 148 031**	
	75 647 459	-	**75 647 459**	110 081 105	**34 433 [illegible]**	
	-	-	-	-	-	
Total Liabilities	**243 376 810**	**(17 633 545)**	**225 743 265**	**463 324 942**	**237 [illegible] 677**	
Assets	1 056 394 971	30 524 003	**1 086 918 974**	1 018 459 439	**(68 [illegible] 535)**	
Liabilities	(243 376 810)	17 633 545	**(225 743 265)**	(463 324 942)	**(237 581 677)**	
Net Assets	**813 018 161**	**48 157 548**	**861 175 709**	**555 134 497**	**(306 041 212)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to note 44)
	R		R	R	R	
Reserves						
Accumulated surplus	813 018 161	48 157 548	**861 175 709**	555 134 497	**(306 041 212)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand, which is the functional currency of the municipality, and rounded to the nearest Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Going [illegible] assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate [illegible] going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Financial assets

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the Municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in [illegible] active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses [illegible] variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated [illegible] the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units/ individual assets and non-cash generating assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the fair value assumption may change which may then impact estimations and may then require a material adjustment to the carrying value of related assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for the assets. Expected future cash flows used to determine the value in use of related assets are inherently uncertain and could materially change over time. They ▬ significantly affected by a number of factors including supply and demand for municipal services, timing of cash flows, together with economic factors such as inflation and interest rates. Refer to sections 1.7 and 1.8 for more detail on the accounting policies for impairment of cash-generating and non-cash-generating assets.

Provisions

Provisions were raised and management determined ▬ estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Useful lives and residual values of property, plant and equipment

The municipality's management determines the estimated useful lives and residual values of property, plant and equipment . This estimate is based on judgment and the Municipality's plans with respect to the assets. Accumulated depreciation is adjusted accordingly to reflect the change in useful lives.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes

Accounting Policies

1.3 Investment property (continued)

Recognition

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Initial Measurement

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through ■ non-exchange transaction, its cost is its fair value ■ at the date of acquisition.

Costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, or to replace a part of, or service ■ property. If ■ replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from ■ change in fair value is included in net surplus or deficit for the period in which it arises.

If the Municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the Municipality determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on ■ continuing basis, the Municipality measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The Municipality applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Derecognition

Once the Municipality becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The nature or type of properties classified as held for strategic purposes are as follows:

Accounting Policies

1.3 Investment property (continued)

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Initial Measurement

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent Measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Accounting Policies

1.4 Property, plant and equipment (continued)

When ■ item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of ■ revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of ■ revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses ■ revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Useful life
Land	Straight line	Indefinite
Buildings	Straight line	30 years
Electricity	Straight line	5 - 80 years
Roads	Straight line	5 - 80 years
Water	Straight line	10 - 100 years
Sewerage	Straight line	15 - 100 years
Housing	Straight line	80 years
Solid waste	Straight line	5 - 100 years
ICT	Straight line	1 - 120 years
Buildings	Straight line	20 - 80 years
Office equipment	Straight line	3 - 5 years
Furniture and fittings	Straight line	7 years
Buildings and other assets	Straight line	20 - 80 years
Recreation facilities	Straight line	10 - 80 years
Security measures	Straight line	5 - 15 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Accounting Policies

1.4 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential [illegible] expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such [illegible] change is accounted for [illegible] a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as [illegible] change in [illegible] accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

1.5 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and [illegible] financial liability or a residual interest of another entity.

Initial recognition

Financial instruments are recognised when the Municipality becomes a party to contractual provision of the instruments.

Financial instruments are initially recognised at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Financial Instruments are categorised according to their nature [illegible] either financial instruments at fair value, held at amortised cost, or held at cost. The classification depends [illegible] the nature and terms of the financial instrument for which the financial instruments were obtained / incurred and takes place at initial recognition.

Subsequent measurement of financial assets and financial liabilities

Trade and other receivables

Debtors are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Bad debts are written off during the year in which they are identified in surplus or deficit.

Trade and other payables

Trade payables are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents, and short-term investments

Accounting Policies

1.5 Financial instruments (continued)

Cash and cash equivalents comprise cash on hand and demand deposits; and other short-term highly liquid investments that are readily convertible to a known amount of cash and [redacted] subject to an insignificant risk of changes in value. These cash and cash equivalents are initially measured at fair value and subsequently measured at amortised cost.

Bank overdraft, borrowings and other financial liabilities

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the effective interest rate method.

Bank overdraft and other financial liabilities are subsequently carried at amortised cost.

Impairment and uncollectibility of financial assets

The Municipality assesses at the end of each reporting period whether there is any objective evidence that [redacted] financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

On the derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (including any asset obtained less any liability assumed) is recognised in surplus or deficit.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, waived or expires. Where [redacted] existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Accounting Policies

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - The Municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases -The Municipality as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are recognised as an asset if :

- it is probable that future economic benefits or service potential associated with the item will flow to the Municipality; and
- the cost of the inventories can be measured reliably.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.8 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating ■ commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating ■ commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

1.9 Share capital / contributed capital

An equity instrument is any contract that evidences ■ residual interest in the assets of an entity after deducting all of its liabilities.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is ■ legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans ■■ charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes ■■ dealt with ■■ defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Accounting Policies

1.10 Employee benefits (continued)

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Gains or losses on the curtailment or settlement of ■ defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as ■ separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for ■ reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs, and reduced by the fair value of plan assets.

Other employee benefits

The Municipality provides post-retirement health care benefits, upon retirement to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The Municipality also provides long service awards. Awards are accrued over the period of employment .

Independent qualified actuaries carry out valuations of these awards.

The cost of providing the above mentioned benefits is determined using the projected unit credit method.

Actuarial gains/losses

Actuarial gains and losses may result from increases or decreases in either the present value of a defined employee benefit obligation or the fair value of any related plan assets. Causes of actuarial gains and losses may include:

- unexpectedly high or low rates of employee turnover, early retirement or mortality or of increase in salaries, benefits or medical costs;
- the effect of changes in estimates of future employee turnover, early retirement or mortality or of increase in salaries, benefits or medical costs;
- the effect of changes in the discount rate; and
- differences between the actual return on plan assets and the expected return on plan assets.

Actuarial gains and losses are recognised in full in the year that they occur in surplus or deficit.

1.11 Provisions and contingencies

Provision is a liability of uncertain timing or amount.

The provision for landfill site is recognised when:

- the entity has a present obligation as ■ result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Accounting Policies

1.11 Provisions and contingencies (continued)

Where the effect of time value of money is material, the amount of ■ provision is the present value of the future expenditures expected to be required to settle the obligation.

The discount rate is ■ pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of the provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are not recognised for future operating surplus.

If the Municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. A contingent liability is disclosed in ■ note to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed in as note to the financial statements where an inflow of economic benefits or service potential is probable. Contingencies are disclosed in the relevant note to the financial statements.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts, volume rebates and Value Added Tax (VAT).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Stage of completion is determined by:

- surveys of work performed;
- services performed to date ■ ■ percentage of total services to be performed; or
- the proportion that the costs incurred to date bear to the total estimated costs of the transaction.

When services are performed by an indeterminate number of acts over ■ specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When ■ specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that ■■ recoverable.

Interest

Revenue arising from the use by others of the Municipality assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that ■■ available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by ■ court or other law enforcement body, ■■ a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In ■ non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which ■ transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or ■ binding arrangement, imposed upon the use of ■ transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Measurement

Revenue from ■ non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of ■ non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised ■ revenue. When a liability is subsequently reduced, because the taxable event occurs or ■ condition is satisfied, the amount of the reduction in the liability is recognised ■ revenue.

Property rates

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The entity analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of ■ person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on ■ periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Transfers and grants

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises ■ asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as ■ asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised ■ revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Income foregone

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably.

Indigent subsidy

Except for financial guarantee contracts, the entity recognise services in-kind that are significant to its operations and/or service delivery objectives ■ assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

1.14 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures and prior period errors

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

The Municipality corrects material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

1.16 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of the total amount appropriated in the Municipality's approved budget;
- overspending of the total amount appropriated for ■ vote in the approved budget;
- expenditure from ■ vote unrelated to the department ■ functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with MFMA.

Accounting Policies

1.16 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as ▬ expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Commitments

Where the Municipality has committed itself to future transactions where there is the probability of the outflow of resources, it is regarded as capital commitments.

The identified capital commitments are only disclosed in the notes to the financial statements and are not regarded ▬ liabilities.

The commitments are disclosed when the specific expenditure is approved and the tender has already been awarded to certain contractors at reporting date. If the contract has been awarded at reporting date, but the goods or services have not been delivered/rendered, the Municipality also discloses the contract as a capital commitment.

1.20 Budget Information

The budget has been included in the financial statements in accordance with GRAP 24.

The approved budget covers the fiscal period from 2019/06/30 to 2020/06/30.

The financial statements and the budget are both prepared on the accrual basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

The comparison between the last budget approved by the Municipal Council and the final budget is included as an appendix to the financial statements. Explanations of the significant variances between the last approved budget and final budget are included in the related appendix.

Furthermore explanations of the significant variances between the budget and actual amounts are also included as an appendix to the financial statements.

1.21 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of ▬ entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Accounting Policies

1.21 Related parties (continued)

Related party transaction is ■ transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether ■ price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

The date of authorisation for issue is the date on which the Accounting Officer signs off the annual financial statements.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The amounts recognised in the financial statements are adjusted to reflect any adjusting events after the reporting date.

The amounts recognised in the financial statements are not adjusted for non-adjusting events after the reporting date.

Disclosure of a material non-adjusting event is made in a note to the financial statements.

1.23 Going concern

The annual financial statements have been prepared on the assumptions that the Municipality will continue to operate ■■ ■ going concern for at least the next twelve months.

1.24 VAT

The Municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15 (2)(a) of the Value-Added Tax Act No 89 of 1991.

	2020	2019

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the munipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning [illegible] after	Expected impact:
• GRAP 20: Related parties	01 April 2019	The impact of the is not material.
• GRAP 108: Statutory Receivables	01 April 2019	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the munipality's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected Impact:
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact

The objective of this guideline: Entities in the public sector [illegible] frequently involved in the construction of houses [illegible] part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The entity expects to adopt the guideline for the first time in the 2018/2019 annual financial statements.

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If [illegible] entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The entity expects to adopt the amendment for the first time in the 2018/2019 annual financial statements.

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The entity expects to adopt the amendment for the first time in the 2018/2019 annual financial statements.

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The entity expects to adopt the amendment for the first time in the 2018/2019 annual financial statements.

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2019

The munipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and ■ transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to ■ transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves ■ transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions ■■ well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2019.

The entity expects to adopt the standard for the first time in the 2018/2019 annual financial statements.

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to ■ transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of ■ transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The subsequent amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the standard is for years beginning on or after 01 April 2019.

The entity expects to adopt the standard for the first time in the 2018/2019 annual financial statements.

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to ■ principal-agent arrangement, and whether it is ■ principal or an agent in undertaking transactions in terms of such ■■ arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or ■ principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by ■ principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to ■ joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of ■ corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of ■ non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The entity expects to adopt the interpretation for the first time in the 2018/2019 annual financial statements.

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The entity expects to adopt the interpretation for the first time in the 2018/2019 annual financial statements.

3. Inventories

Consumable stores	494 768	629 082
Water stock	82 509	33 262
	577 277	**■ 344**

There were no inventory write downs during the year. No inventories are pledged ■ security for any liabilities.

Notes to the Annual Financial Statements

	2020 R	2019 R
4. Other financial assets		
At fair value		
SWK Shares	17 156	27 714
ABSA Bank Limited	360 000	360 000
	377 156	**387 714**
Non-current assets		
At amortised cost	17 156	27 714
Current assets		
At amortised cost	360 000	360 000
5. Receivables from non-exchange transactions		
Fines	46 756 902	43 472 836
Sundry debtors	38 685	346 660
Provincial Infrastructure Grant	1 351 115	-
Other receivables	381 473	381 473
Property rates	7 860 484	14 116 048
	56 388 659	**58 317 017**

As at 30 June 2020	Gross Balance	Impairment	Net Balance
Fines	102 631 560	(55 874 658)	46 756 902
Provincial Infrastructure Grant	1 351 115	-	1 351 115
Sundry debtors	3 710 383	(3 671 698)	38 685
Property rates	170 476 428	(162 615 944)	7 860 484
	278 169 486	**(222 162 300)**	**56 007 186**

As at 30 June 2019	Gross Balance	Impairment	Net Balance
Fines	98 186 957	(54 714 121)	43 472 836
Sundry debtors	3 641 388	(3 294 728)	346 660
Other receivables	381 276	-	381 276
Property rates	134 153 504	(120 037 456)	14 116 048
	236 363 125	**(178 [redacted] 305)**	**58 316 820**

Reconciliation of allowance for impairment	2020	2019
Balance at beginning of the year	(178 046 305)	(161 421 018)
Contributions to allowance	(44 115 996)	(16 625 287)
Total	**(222 162 301)**	**(178 [redacted] 305)**

6. Receivables from exchange transactions		
Gross balances		
Electricity	48 539 038	37 268 916
Water	733 162 224	602 766 469
Sewerage	365 227 288	321 032 816
Refuse	188 979 436	166 583 969
	1 [redacted] 907 [redacted] 1 127 [redacted] 170	
Less: Allowance for impairment		
Electricity	(32 850 337)	(21 925 638)

Notes to the Annual Financial Statements

	2020 R	2019 R
6. Receivables from exchange transactions (continued)		
Water	(725 232 301)	(538 019 675)
Sewerage	(362 013 169)	(305 606 754)
Refuse	(187 463 789)	(158 853 343)
	(1 307 559 596)	**(1 405 410)**
Net balance		
Electricity	15 688 701	15 343 278
Water	7 929 923	64 746 794
Sewerage	3 214 119	15 426 062
Refuse	1 515 647	7 730 626
	390	**103 760**
Included in above is receivables from exchange transactions		
Current (0-30 days)	35 628 460	31 359 431
31 - 60 days	33 264 878	32 121 823
61 - 90 days	42 005 210	23 176 507
91 + days	1 225 009 438	1 040 994 408
	1 335 907	**1 127 652 169**
Electricity		
Current (0 -30 days)	4 887 541	4 721 591
31 - 60 days	2 348 425	1 527 662
61 - 90 days	1 771 630	2 838 708
91 - 120 days	1 611 486	1 127 211
120+ days	37 919 957	27 053 745
	539 039	**37 268 917**
Water		
Current (0 -30 days)	14 207 586	20 503 889
31 - 60 days	8 879 525	24 840 907
61 - 90 days	11 116 480	14 640 760
91 - 120 days	13 948 688	9 914 152
120+ days	685 009 945	532 866 761
	733 162	**602 766 469**
Sewerage		
Current (0 - 30 days)	4 446 584	4 082 929
31 - 60 days	3 138 615	3 823 764
61 - 90 days	3 855 733	3 783 402
91 - 120 days	3 989 616	3 775 941
120+ days	349 796 737	305 566 780
	365 227 285	**321 032**
Refuse		
Current (0 - 30 days)	2 224 855	2 051 022
31 - 60 days	1 572 549	1 929 491
61 - 90 days	1 935 460	1 913 638
91 - 120 days	2 003 490	1 917 697
120+ dyas	181 243 081	158 772 121
	188 435	**166**

Notes to the Annual Financial Statements

	2020 R	2019 R

6. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 024 405 410)	(731 049 528)
Contributions to allowance	(283 154 186)	(293 355 882)
Balance at the end of year	**(1 307 596)**	**(1 024 410)**

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	33 306	23 433
Bank balances	245 066	(3 232 956)
Short-term deposits	23 881 304	19 552 075
	24 159 676	**16 342**

Notes to the Annual Financial Statements

	2020 R	2019 R

7. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019		30 June 2020	30 June 2019	
ABSA Bank - Current Account 4055605473	2 271 895	550 781	-	245 066	(3 232 956)	-
ABSA Bank - Current Account 4061545689	5 952 717	6 453 445	-	5 952 717	6 453 445	-
ABSA Bank - Current Account 4050989969	9 989 288	5 742 912	-	9 989 288	5 742 912	-
ABSA Bank - Current Account 4064023765	3 917 164	3 973 176	-	3 917 164	3 973 176	-
ABSA Bank - Current Account 4064584280	3 367 517	2 776 371	-	3 367 517	2 776 371	-
ABSA Bank - Current Account 4055636965	31 316	16 326	-	31 316	16 326	-
ABSA Bank - Current Account 4049678703	1 727	3 135	-	1 727	3 135	-
ABSA Bank - Current Account 4055686261	21 456	22 299	-	21 456	22 299	-
ABSA Bank - Current Account 4052543232	(235)	1 163	-	(235)	1 163	-
ABSA Bank - Current Account 4064692380	19 439	20 175	-	19 439	20 175	-
ABSA Bank - Current Account 9126643503	488 594	456 766	-	488 594	456 766	-
ABSA Bank - Current Account 9138622959	92 320	86 306	-	92 320	86 306	-
Total	**26 153 198**	**20 102 855**	-	**24 126 369**	**16 319 118**	-

No cash and cash equivalents were pledged as security for any payables or loans.

Notes to the Annual Financial Statements

	2020 R	2019 R

8. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	74 664 000	-	74 664 000	66 450 000	-	66 450 000

Reconciliation of investment property - [redacted]

	Opening balance	Fair value adjustments	Total
Investment property	66 450 000	8 214 000	74 664 000

Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	66 450 000	66 450 000

No assets are pledged as security.

The significant portion of the Municipality's investment property is vacant land.

Investment properties were valued by an independent professional valuer during the 2019/20 financial year.

9. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	229 239 601	(95 133 521)	134 106 080	228 669 149	(91 249 726)	137 419 423
Furniture & Fittings	3 028 313	(2 349 827)	678 486	2 873 712	(1 922 840)	950 872
Plant and machinery	4 302 267	(2 776 374)	1 525 893	4 302 266	(2 116 676)	2 185 590
Motor vehicles	11 499 060	(7 843 394)	3 655 666	9 310 066	(6 390 790)	2 919 276
Office equipment	862 700	(537 315)	325 385	852 505	(367 477)	485 028
Computer Equipment	3 142 506	(1 563 890)	1 578 616	2 287 443	(1 000 873)	1 286 570
Other Assets	1 392 556	(968 415)	424 141	1 392 556	(705 661)	686 895
Infrastructure	1 515 965 695	(737 214 361)	778 751 334	1 498 114 171	(695 969 847)	802 144 324
Community	59 001 423	(42 729 024)	16 272 399	59 001 423	(40 726 229)	18 275 194
Work in progress	40 085 492	-	40 085 492	32 938 763	-	32 938 763
Total	**1 868 519 613**	**(891 116 121)**	**977 403 [redacted]**	**1 839 742 054**	**(840 450 119)**	**[redacted] 291 [redacted]**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land and buildings	137 419 423	570 452	-	-	(3 883 795)	134 106 080
Furniture & Fittings	950 872	154 601	-	-	(426 987)	678 486
Plant and machinery	2 185 590	-	-	-	(659 697)	1 525 893
Motor vehicles	2 919 276	2 188 994	-	-	(1 452 604)	3 655 666
Office equipment	485 028	10 195	-	-	(169 838)	325 385
Computer equipment	1 286 570	855 063	-	-	(563 017)	1 578 616
Other Assets	686 895	-	-	-	(262 754)	424 141
Infrastructure	802 144 324	18 096 754	(245 230)	-	(41 244 514)	778 751 334
Community	18 275 194	-	-	-	(2 002 795)	16 272 399
Work in progress	32 938 763	25 813 935	-	(18 667 206)	-	40 085 492
	999 291 935	**47 689** [redacted]	**(245 230)**	**(18 667 206)**	**(50** [redacted] **001)**	**977 403 492**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers	Depreciation	Total
Land and buildings	141 586 267	-	-	(4 166 844)	137 419 423
Furniture & Fittings	1 244 535	126 067	-	(419 730)	950 872
Plant and machinery	2 845 288	-	-	(659 698)	2 185 590
Motor vehicles	4 368 996	-	-	(1 449 720)	2 919 276
Office equipment	654 274	-	-	(169 246)	485 028
Computer equipment	1 498 446	285 814	-	(497 690)	1 286 570
Other Assets	714 704	234 945	-	(262 754)	686 895
Infrastructure	784 615 235	46 566 116	-	(29 037 027)	802 144 324
Community	17 479 605	2 930 350	-	(2 134 761)	18 275 194
Work in progress	34 560 442	47 874 787	(49 496 466)	-	32 938 763
	[redacted] **792**	**98 018 079**	**(49 496 466)**	**(38 797 470)**	**999 291 935**

No assets are pledged as security and there are no restrictions on the title for property, plant and equipment.

	2020 R	2019 R

9. Property, plant and equipment (continued)

10. Other Financial Liabilities

At amortised cost		
Annuity loan DBSA 61007163	2 054	1 869
Annuity loan DBSA 61007165	53 363 670	50 482 297
Dr Kenneth Kaunda District Municipality	123 698	123 698
Total borrowings	**489 422**	**50 607 864**
Non-current liabilities		
At amortised cost	34 024 062	36 052 101
Current liabilities		
At amortised cost	19 465 360	14 555 763

The Municipality received two loans from the Development Bank of Southern Africa (DBSA) to fund infrastructure expenditure.

The terms are as follows:

	Interest rate	Redemption date
DBSA 61007163	7,5%	30.06.2020
DBSA 61007165	5%	30.06.2033
Dr Kenneth Kaunda District Municipality	0%	30.09.2018
DBSA 61007163 Arrears Account	9,5%	-
DBSA 61007165 Arrears Account	7%	-

Although the redemption date for loan from Dr Kenneth Kaunda District Municipality was 30 September 2018, the Municipality did not settle the outstanding debt as at 30 June 2020. The loan is not accruing any interest.

The municipality defaulted in settling the DBSA loan account number 61007163. The account is in arrears of R2,054.37as at 30 June 2020 and is accruing interest at ■ rate of 9.5%.

The municipality defaulted in settling the DBSA loan account number 61007165. The account is in arrears of R17,316,371.35 as at 30 June 2020 and is accruing interest at ■ rate of 7%.

No payment was made to DBSA in the 2019/20 financial year resulting in accrued interest.

11. Payables from exchange transactions

Accruals	151 261 899	125 646 237
Accrued bonus	1 334 333	1 382 313
Accrued leave pay	6 505 678	6 257 082
Unallocated Deposits	2 267 455	748 481
National Treasury: Unspent conditional grant agreement	3 631 841	3 631 841
Salary Control	3 553 202	-
Other creditors	345 882	22 546
Payments received in advance	7 378 999	5 783 676
Performance bonus accrual	174 856	165 354
Retention	7 708 816	10 687 908
Trade creditors	145 053 169	111 570 096
	329 216 130	**■ 895 534**

Notes to the Annual Financial Statements

	2020 R	2019 R
11. Payables from exchange transactions (continued)		
12. VAT payable		
Amounts outstanding from SARS at year end	18 956	1 180 958
VAT on accrual basis	(142 398 520)	(129 932 010)
	(142 379 564)	**(128 751 052)**
13. Consumer deposits		
Water and Electricity	2 351 929	2 262 650

The amount reflected represent a cost value. No interest accrues in favour of the consumer upon termination of the service delivery with the Municipality.

14. Employee benefit obligation

Defined benefit plan

Post-retirement health care benefits

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme.

Eligible employees are entitled to receive a post-employment subsidy, which will be at a rate of 60% of the contribution payable should they be a member of a medical scheme at retirement. All continuation members and their eligible dependants receive a 60% subsidy.

The projected unit credit method has been used to value the liability. The valuation was performed by 41 SGN ARGEN Actuarial Solutions.

There are no assets backing the post-retirement health care liability.

Notes to the Annual Financial Statements

	2020 R	2019 R

14. Employee benefit obligation (continued)

Long service awards

The Municipality offers employees long service award for every five years of service completed, from ten years of service to 40 years of service, inclusive. The recognition of service is calculated from the later of the date of appointment and 1 July 1986.

The projected unit credit method has been used to value the liability. The valuation was performed by SNG ARGEN Actuarial Solutions as at 30 June 2020.

There are no assets backing the long service award liability.

The amounts recognised in the statement of financial position as follows:

Carrying value		
Opening balance	23 246 075	31 551 000
Current service cost	1 247 000	2 034 670
Interest Cost	2 098 000	3 083 578
Employee benefit payments	(1 112 000)	(1 029 023)
Acturial (gain)/losses	(6 873 884)	(12 394 150)
Closing balance	**18 191**	**23 246 075**
Non-current liabilities	(18 232 000)	(22 134 241)
Current liabilities	(373 000)	(1 111 834)
	(18 605 000)	**(23 246 075)**

Net expense recognised in the statement of financial performance

Current service cost	1 247 000	2 034 670
Interest cost	2 098 000	3 083 578
Actuarial (gains) losses	(1 112 000)	(12 394 150)
	2 233 000	**(7 275 902)**

14.1 Post retirement health benefits

Opening balance	19 252 959	27 719 000
Current service cost	922 000	1 713 946
Interest Cost	1 793 000	2 766 434
Employee benefit payments	(621 000)	(661 719)
Acturial (gain)/losses	(7 094 959)	(12 284 702)
Closing balance	**14 252 000**	**19 252 959**

Net expense recognised in Statement of Financial Performance

Current services costs	922 000	1 713 946
Interest Cost	1 793 000	2 766 434
Actuarial loss/(gain)	(7 094 959)	(12 284 702)
	(4 379 959)	**(7 322)**

Notes to the Annual Financial Statements

	2020 R	2019 R

14. Employee benefit obligation (continued)

14.2 Long service award

Opening balance	3 993 000	3 832 000
Current service cost	325 000	320 724
Interest cost	305 000	317 144
Actuarial (gains)/losses	221 000	(109 448)
Benefits paid	(491 000)	(367 304)
Net expense recognised in Statement of Financial Performance		
Current services costs	325 000	320 724
Actuarial (gain)/loss	305 000	(109 448)
Interest cost	221 000	317 144
	[illegible] 000	**528 [illegible]**

Key financial assumptions used - Post-retirement Health Care Benefits

Key financial assumptions used in the valuations are shown below:

Discount rates used	10,9 %	9,5 %
Expected rate of return on assets	- %	6,9 %
Expected rate of return on reimbursement rights	- %	2,4 %

Key financial assumptions used - Long Service Awards

The earnings used in the valuation include an increase on 1 July 2019 of 6.50% as per the SALGBC Circular No: 01/2019. The next earnings increase was assumed to take place on 1 July 2020.

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	1 070 765	-
Provincial Government Library Grant	538 029	386 452
Finance Management Grant	28 971	886 680
Dr Kenneth Kaunda District Municipality	20 316	20 316
Water Service Infrastructure Grant	179 335	179 335
	1 837 416	**1 472 783**
Movement during the year		
Balance at the beginning of the year	1 472 783	2 343 614
Additions during the year	36 462 857	62 310 930
Income recognition during the year	(36 562 658)	(63 181 761)
Amounts paid back to Treasury and receivable from PIG	464 434	-
	1 837 416	**1 472 783**

See Note 22 for reconciliation of grants from National/Provincial Government.

16. Provisions

Reconciliation of provisions - 2020

	2020 R	2019 R

16. Provisions (continued)

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	55 840 798	1 984 245	57 825 043

Reconciliation of provisions - 2019

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	53 191 033	2 649 765	55 840 798

The provision for the rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. A report was compiled for all landfill sites after being inspected by Hill and Associates. This report has been compiled in order to assure that the Municipality complies with the minimum requirements [illegible] set out in the Department of Water Affairs Minimum requirements for Waste Disposal by Landfill, 1998 and the current National norms and standards for Waste Disposal as published in Government Gazette Notices 634, 635 and 636 of 2013 as well as the National Environment Management Waste Act (Act 59 of 2008).

17. Revenue

Licences and permits	2 725 626	3 960 765
Service charges	188 938 441	165 341 112
Rental of facilities and equipment	329 831	459 283
Other income	594 014	1 451 413
Interest revenue	82 749 848	74 308 745
Property rates	43 139 277	41 443 775
Government grants	164 952 339	174 241 763
Fines	7 098 650	30 362 189
	490 528 026	**491 569 [illegible]**

The amount included in revenue arising from exchanges of goods or services [illegible] as follows:

Licence and permits	2 725 626	3 960 765
Service charges	188 938 441	165 341 112
Rental of facilities and equipment	329 831	459 283
Other income	594 014	1 451 413
Interest revenue	82 749 848	74 308 745
	275 337 760	**245 521 318**

The amount included in revenue arising from non-exchange transactions is [illegible] follows:

Taxation [illegible]		
Property rates	43 139 277	41 443 775
Transfer revenue		
Government grants	164 952 339	174 241 763
Fines	7 098 650	30 362 189
	215 190 266	**[illegible] 047 727**

18. Service charges

Sale of electricity	60 010 378	52 507 491
Sale of water	88 466 683	69 868 074
Sewerage and sanitation charges	30 151 353	30 687 591
Refuse removal	10 310 027	12 277 956
	188 938 441	**165 341 112**

Notes to the Annual Financial Statements

	2020 R	2019 R
19. Rental of facilities and equipment		
Premises		
Rental of facilities	329 831	459 283
20. Interest revenue		
Interest revenue		
Bank	1 266 048	805 215
Interest charged on trade and other receivables	81 483 800	73 503 530
	82 [redacted] 848	**74 [redacted] 745**
	-	-
	82 749 848	74 308 745

Interest is levied on receivables outstanding after 30 days at a prime interest rate plus 1%.

Notes to the Annual Financial Statements

	2020 R	2019 R

21. Property rates

Rates received

All categories	43 139 277	41 443 775

Valuations

Residential	1 452 194 665	1 452 194 665
Commercial	238 468 597	238 468 597
State	56 352 207	56 352 207
Agriculture	2 653 852 292	2 653 852 292
Other	159 751 634	159 751 634
	4 [redacted]	4 [redacted]

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018.The next valuation roll is to be performed on 1 July 2022. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis.

Income foregone

In terms of the Municipal Property Rates Act, Act 6 of 2004 rebates and exemptions from property rates are given. The following is applicable for the year under review:

Rebates and exemptions from property rates are only given on Residential and Agricultural zones.

	2020	2019
Residential	(4 658 965)	(5 769 499)
Agriculture	-	(400)
Government	(191 208)	(229 880)
	(4 850 173)	**(5 999 779)**

22. Government grants and subsidies

Operating grants		
Equitable Share	128 389 681	111 060 000
Finance Management Grant	2 651 029	2 215 563
EPWP	1 000 000	1 017 000
Provincial Government Library Grant	(4 006 549)	556 548
Municipal Disaster Relief Grant	358 000	-
	128 392 161	**114 849 111**
Capital grants		
Municipal Infrastructure Grant	27 138 235	25 052 000
Water Services Infrastructure Grant	-	19 896 401
Provincial Infrastructure Grant	9 421 943	14 444 251
	36 560 178	[redacted]
	128 392 161	114 849 111
	36 560 178	59 392 652
	164 952 [redacted]	**174 241 763**

Notes to the Annual Financial Statements

	2020 R	2019 R

22. Government grants and subsidies (continued)

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy which is funded from the grant.

Municipal Infrastructure Grant

Current-year receipts	28 209 000	25 052 000
Conditions met - transferred to revenue	(27 138 235)	(25 052 000)
Conditions still be met - transferred to liabilities	**1 070 765**	**-**

The Municipal Infrastructure Grant complements the equitable share grant for local government, however, it is provided conditionally to Municipalities. One of the key objects of the grant is to fully subsidise the capital costs of providing basic services to poor households. This implies that priority must be given to meeting the basic infrastructure needs of poor households, through the provision of appropriate bulk, connector and internal infrastructure in key services.

The grant was used by the Municipality to build and develop its infrastructure. The unused funds are committed and remain a liability at financial year end (see Note 15).

Provincial Government Library Grant

Balance unspent at beginning of year	386 452	-
Current-year receipts	856 000	943 000
Conditions met - transferred to revenue	(704 423)	(556 548)
Conditions still to be met - transferred to liabilities	**538**	**452**

The purpose of the grant is to maintain and operate the local library for the benefit of the community. The unused funds committed and remain a liability at financial year end (see Note 15).

Finance Management Grant

Balance unspent at beginning of year	886 680	887 243
Current-year receipts	2 680 000	2 215 000
Conditions met - transferred to revenue	(2 651 029)	(2 215 563)
Amounts returned to National Treasury or paid during the year	(886 680)	-
Conditions still to be met - transferred to liabilities	**971**	**886 680**

The main purpose of this grant is to assist in the rollout of financial management reforms embodied in the MFMA through building capacity in financial management. Its primary purpose is to assist in building strong financial management skills. The grant was utilised by the Municipality for its intended purposes.

	2020 R	2019 R

22. Government grants and subsidies (continued)

Dr Kenneth Kaunda District Municipality

Balance unspent at beginning of year	20 316	20 316

The unused funds are committed and remain a liability at financial year end (see Note 15).

This grant was received from Dr Kenneth Kaunda District Municipality as part of Inter-Governmental Relations. The grant is based on ■ business plan submission by the Municipality to the District Municipality. The District Municipality remains the implementing agent and the Municipality is the beneficiary.

EPWP Roads

Current-year receipts	1 000 000	1 017 000
Conditions met - transferred to revenue	(1 000 000)	(1 017 000)
	-	-

The grant is received from the National Department of Public Works for creating job opportunities for unemployed persons and so allowing economic participation and resulting in poverty alleviation

Provincial Infrastructure Grant

Balance unspent at beginning of year	-	1 360 320
Current-year receipts	3 359 857	13 083 931
Conditions met - transferred to revenue	(4 710 971)	(14 444 251)
Amount transfered to receivable	1 351 114	-
Conditions still to be met - transferred to liabilities	-	-

The purpose of this grant is to develop infrastructure required to connect or augment a water resource, to infrastructure serving extensive areas a cross municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area with the Municipality. This is an in-kind grant received from the Department of Water Affairs relating to water infrastructure projects incurred on the Municipality's behalf.

Water Service Infrastructure Grant

Balance unspent at beginning of year	179 335	75 736
Current-year receipts	-	20 000 000
Conditions met - transferred to revenue	-	(19 896 401)
Conditions still to be met - transferred to liabilities	**179 335**	**179 335**

The grant is used for water service infrastructure and restructuring. The capacity building and restructuring grants were set up to assist municipalities in developing and providing quality water services. The grant was utilised by the Municipality for its intended purposes.

Municipal Disaster Relief Grant

Current-year receipts	358 000	-
Conditions met - transferred to revenue	(358 000)	-
Conditions still to be met - transferred to liabilities	-	-

The purpose of this grant is was ■ relief to effects of Covid-19.

Notes to the Annual Financial Statements

	2020 R	2019 R
23. Employee related costs		
Salaries and Wages	48 889 422	45 501 531
Contributions for UIF, pensions and medical aids	13 236 798	12 679 721
Travel, motor car, accommodation, subsistence and other allowances	4 252 954	3 227 398
Housing benefits and allowances	477 727	876 893
Performance and other bonuses	3 481 256	3 235 584
Medical aid - company contributions	699 218	657 163
Leave pay provision charge	1 510 583	707 511
Overtime payments	5 433 995	5 983 566
Long Service Bonus	516 460	367 304
Cellphone Allowance	387 500	276 150
	78 [redacted] 913	**73 512 821**
Remuneration of Municipal Manager - Mr VE Zikalala		
Annual Remuneration	975 880	297 793
Car allowance, accomodation, and other allowances	334 423	111 474
Contributions to UIF, Medical and Pension Funds	1 896	630
	1 312 199	**409 897**
Mr [redacted] Lehloenya **Acting MM from (01- July 2018 - 07 August 2018)** Acting Allowance	-	25 461
Ms [redacted] Rudman **(Acting MM from 01 September 2018 - 31 January 2019)** Acting allowance	-	113 767

The position of Municipal Manager was vacant during the year until 28 February 2019. The Municipal Manager was appointed on 01 March 2019. The above amounts reflect the acting allowances of officials who were acting before the appointment of the Municipal Manager.

[redacted] KJ Leselsane **(Acting MM from 13 Dec 2018 - 12 Mar 2019 and 1-31 Dec 2019)**	2020	2019
Acting allowance	19 513	-

Mr LJ Mogoemang **(Acting [redacted] from 01-October - 30 October 2018)**	2020	2019
Acting allowance	-	3 894

Notes to the Annual Financial Statements

	2020 R	2019 R

23. Employee related costs (continued)

Remuneration of Chief Finance Officer -Mr J Mogoemang

Annual Remuneration	551 102	-
Car allowance, accomodation, and other allowances	210 236	-
Contributions to UIF, Medical and Pension Funds	36 850	-
	188	-

The Chief Financial Officer was appointed on 01 September 2019. The salary disclosed is for 10 months.

Mr A Madisha **(Acting CFO from 08-Oct-2018 to 31-Oct-2018 and;** **31 May 2019 to 31 August 2019)** Acting allowance	62 590	31 295
Mr. MH Silva **(Acting CFO from 07 December 2018 - 07 March 2019)** Acting allowance	-	100 558
Mr J Mogoemang **(Acting CFO from 1 July 2018 to [redacted] August 2018 ; 13- September -2018 to 25 September - 2018 and 01- November- 2018 to 12 December 2018)** Acting allowance	-	100 135

The Chief Financial Officer's post was vacant until 31 August 2019. The information above reflects the acting allowances and relevant periods during which the stated individuals were acting.

Remuneration of Director: Corporate Service - Mr KJ Leseisane

Annual Remuneration	586 371	-
Car allowance, accomodation, and other allowances	210 236	-
Contributions to UIF, Medical and Pension Funds	1 580	-
	798 187	-

Mr KJ Leseisane was appointed on 1 September 2019. Prior to the appontment. The position was vacant.

Remuneration of Director: Technical Services Mr N Mwase

Annual Remuneration	586 370	-
Car allowance, accomodation, and other allowances	217 236	-
Contributions to UIF, Medical and Pension Funds	1 580	-
	805 186	-

The Director Technical Services was appointed on 01 September 2019. The salary disclosed is for 10 months.

Remuneration of Director: Community Services Mr VG Nicodemus

Annual Remuneration	586 371	-
Car allowance, accomodation, and other allowances	217 236	-
Contributions to UIF, Medical and Pension Funds	1 580	-
	805 187	-

Notes to the Annual Financial Statements

	2020 R	2019 R

23. Employee related costs (continued)

The Director Community Services was appointed on 01 September 2019. The salary disclosed is for 10 months.

Remuneration of Acting Director: Community Services Mr [redacted] Tladi

Acting Allowance	60 826	213 881

Mr ND Tladi acted on the position of director from 13 Decembrer 2018 to 12 June 2019 and 13 June 2019 to 31 August 2019.

Remuneration of Acting Director: Corporate Services Mrs [redacted] Rudman

Acting Allowance	19 513	-

Mrs JM Rudman acted on the position of director from 13 June 2019 to 08 July 2019

Remuneration of Acting Director: Technical Services Mr N Mwase

Acting Allowance	32 450	124 410

Mr N Mwase acted on the position of director from 1 July 2018 to 31 August 2019.

[redacted] GP Mashinyana ¶(Acting CFO from 14 June 2019- 30 June -2019)

Acting Allowance	-	9 180
Contributions to UIF, Medical and Pension Funds	-	92
	-	**9 272**

Remuneration of Acting Director: Community Services Mr KJ Leseisane

Acting Allowance	-	92 613

Mr KJ Leseisane acted on the position of director from 13 September 2019 to 12 December 2019.

Remuneration of Acting Director: Community Services: Mr VK Motlashuping

Acting Allowance	-	36 177

24. Remuneration of councillors

Mayor	872 149	872 149
Speaker	706 600	706 600
Other Concillors	7 572 695	7 558 965
	9 151 444	**[redacted] 137 714**

25. Depreciation

Property, plant and equipment	50 666 002	38 797 470

26. Finance costs

Provision for landfill sites	1 984 245	2 649 766
Trade and other payables	3 461 234	3 195 359

Notes to the Annual Financial Statements

	2020 R	2019 R
26. Finance costs (continued)		
Borrowings	2 881 558	2 630 025
Interest expense on employee benefit obligation	2 098 000	7 980 659
	10 425 037	**16 455**
27. impairment		
Contributions to debt impairment provision	327 270 182	309 981 169
28. Bulk purchases		
Electricity	60 143 945	53 306 036
Water	59 152 092	56 137 646
	119 296 037	**109 443**
29. Contracted services		
Operating Leases	38 832	399 317
Specialist Services	346 991	2 975 206
Other Contractors	31 960 010	34 160 880
Presented previously	32 345 833	37 535 403
Outsourced Services	-	-
Consultants and Professional Services	-	-
Contractors	-	-
	32 345 833	**37 535 403**
30. Auditors' remuneration		
Fees	1 969 031	2 594 386
31. Commitments		
Commitments in respect of capital expenditure		
Already contracted for but not provided for		
▪ Property, plant and equipment	65 234 049	29 894 108
Total capital commitments		
Approved and contracted for	738 683	2 896 150
Approved and not contracted for	56 495 366	26 997 958
	234 049	**29 894 108**
Operating leases - Municipality as lessee		
Operating Lease 2020		
Office equipment		
	-	-
Minimum lease payments due -		
- within one year (Current Portion)	3 098 937	
- in second to fifth year inclusive	5 423 140	
	8 522 077	

Notes to the Annual Financial Statements

	2020 R	2019 R

31. Commitments (continued)

Operating lease payments represent rentals payable by the municipality for its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for [illegible] average of three years. No contingent rent is payable.

The Municipality is having a lease agreement with Indlela data where the Lessor is renting printing machines to the Municipality.No annual escalations on the agreement and thererefore no need to do smoothing for reporting purposes.

The Municipality did not default on any of the interest or capital repayment of the operating leases. All risks and rewards of ownership remain with the lessor upon expiry of the lease and there is no option to purchase the leased assets. There is no restriction imposed on the lease arrangements.

Minimum lease payments due - 2019		
- within one year (Current Portion)	1 286 346	-

Operating lease payments represent rentals payable by the entity for its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

The Municipality is having a lease agreement with Anaka Group where the Lessor is renting printing machines to the Municipality. The contract with Anaka Group is ending on 28 February 2020 as such, there was no need to do smoothing for reporting purposes.

The average lease term is 3-5 years. Interest rates [illegible] either fixed or variable at the contract date. All leases have fixed or variable repayments and in certain instances contingent rent is payable, as stipulated in the lease agreements. The annual escalation rate varies between 10% to 15%. The Municipality's obligation under operating leases is secured by the lessor's charge over the leased assets.

The Municipality did not default on any of the interest or capital repayment of the operating leases. All risks and rewards of ownership remain with the lessor upon expiry of the lease and there is no option to purchase the leased assets. There is no restriction imposed on the lease arrangements.

Operating leases - Municipality as lessor

Operating leases: Land and buildings	Minimum lease payments	Straight-lined value of minimum lease payments
30 June 2020		
Within one year	164 067	165 259
Within two years to five years	59 242	63 155
	223 309	**228 414**

Operating leases : Land and buildings	Minimum lease payments	Straight-lined value of minimum lease payments
[illegible] June [illegible]		
Within one year	166 184	156 368
Within two years to five years	62 679	62 679
	228 863	**219 047**

Minimum lease payments due		
- within one year	165 259	156 368
- in second to fifth year inclusive	63 155	62 679
- later than five years	(165 259)	(156 368)
	[illegible] 155	**[illegible] 679**

Notes to the Annual Financial Statements

	2020 R	2019 R

31. Commitments (continued)

The average lease term is 3-15 years and the average effective borrowing rate is 10%. Interest rates are either fixed or variable at the contract date. All leases have fixed or variable repayments and in certain instances contingent rent is payable, as stipulated in the lease agreements.

The Municipality monitors rental payments and institutes debt control where needed. No terms and conditions of the leases were re-negotiated. All risks and rewards of ownership remain with the lessor upon expiry of the lease and there is no option to purchase the leased assets.

The Municipality did not default on any of the interest or capital repayment of the operating leases. All risks and rewards of ownership remain with the lessor upon expiry of the lease and there is no option to purchase the leased assets. There is no restriction imposed on the lease arrangements.

Notes to the Annual Financial Statements

	2020 R	2019 R
32. General expenses		
Advertising	216 067	276 788
Audit Fees	1 969 031	2 594 386
Bank charges	778 555	742 779
Computer expenses	489 413	2 094 308
Contribution to annual bonuses	(47 848)	372 838
Contributions to leave provision	-	734 706
Insurance	2 579 927	1 552 229
Operating leases	-	1 721 001
Skills development levies	552 917	611 403
Printing and stationery	59 962	288 021
Library program expenses	126 745	11 415
Repairs and maintenance	11 602 871	4 723 616
Remuneration of ward committees	1 250 000	1 247 000
Membership fees	1 256 989	867 706
Telephone	906 686	873 745
Transport and motor vehicle expenses	2 130 003	2 526 181
Travel and subsistence	1 349 753	814 997
Town planning scheme	34 033	2 845
Electricity	12 139 773	4 844 414
SETA	183 437	36 747
Indigent relief	56 284	29 103
Catering expenses	2 075 741	325 802
Disaster management	519 894	93 230
Changes in employee benefits provisions (post employement benefits)	134 925	(2 766 434)
License fees	2 001 699	2 284 894
	42 366 857	**26 903 720**

Notes to the Annual Financial Statements

	2020 R	2019 R

33. Contingencies

Contingent liabilities

Contingent liabilities arising in the current year	[illegible]	**2019**
Molefi - Unfair dismissal , the case is at Bargaining Council for Arbitration	500 000	-
ESkom Holding Soc - Summons issued for debt owed for [illegible] period spanning from November 2019 to July 2020	2 446 642	-
M Lebitso, RJ Sekamogeng, OJ Nchupeng, LJ Setshogo and SB Mabexa - Summons for payment of damages in the amount of R400,000 each in respect of an alleged unlawfull arrest.	2 000 000	-
Kgopane - Review application	200 000	-
T. Kunene - Summons for insurance claim on car demages due to potholes.	21 735	-
Contingent liabilities arising from previous year		
IR Jonas vs Maquassie Hills Local Municipality - dispute on unlawful appointment of Municipal Manager	900 000	900 000
Nep Consulting Engineers - Claim on appointment for the project on reticulation of water in Ext 17 which the Municipality disputes	15 000 000	15 000 000
Khorone Engineers vs Maquassi Hills Local Municipality - seeks to issue summons against the municipality for professional fees which the Municipality disputes	300 000	300 000
Korone Engineers vs Maquassi Hills Local Municipality - Claim on appointment for a project which the Municipality disputes	1 188 000	1 188 000
Clear away Property Investments vs Maquassi Hills Local Mucipality - Application for cross-appeal claim	314 824	314 824
Mr MM Volscheck	7 273	7 273
Mr KD Mohadi - Claim for damages suffered by the councillor subsequent to his house being burned down during a community riot	82 460	82 460
Collen Mafulako - Review application	200 000	200 000
Reuben Medupe - Review application	200 000	200 000
Windy Mahlangu - Unfair labour practice dispute, the matter is pending to CCMA	300 000	300 000
Mr D. Struwig - The claim relates to the damage to his vehicle because of a pothole in Leeudoringstad.	8 924	8 924
Mr R Ali - The claim relates to damages to his vehicle by potholes	18 043	18 043
Mr Manele - The claim relates to damages to his wall fence	63 800	63 800
Mr M. Besani - The contract of the Municipality's former Director: Engineering Services was terminated and the matter is currently at the Labour Court for review	300 000	300 000
	24 051 701	**18 883 324**

Contingent assets

The following was a contingent asset as at 30 June 2020 and also 30 June 2019;

Kwane Capital [illegible] Maquassi Hills Local Municipality

Legal consel's description of matter: The Municipality instructed the attorneys to recover R3.2 million for fleet that was never received by the Municipality

Estimate of the financial exposure: R500 000

34. [illegible] management

Liquidity risk

The entity risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Notes to the Annual Financial Statements

	2020 R	2019 R

34. Risk management (continued)

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period on the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances ■■ the impact of discounting is not significant.

	2020	2019
Payables from exchange transactions	329 541 987	265 895 534
Short term portion on financial liabilities	19 465 360	14 555 763
	349 007 347	**■■0 451 297**

Credit risk

Credit risk is the risk of financial loss to the Municipality if customers or counterparties to financial instruments fail to meet their 4 contractual obligations.

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Receivables comprise of ■ widespread customer base. Management cannot however impose limits which it can impose on the rates charged to its customers as it has a constitutional obligation to render these services to its stakeholders. Credit control measures to ensure the recovery of debts are therefore implemented in line with the Municipality's credit control policies.

Financial assets exposed to credit risk at year end are noted under the respective financial assets - investments, receivables and cash and cash equivalents.

These balances represent the maximum exposure to credit risk:

	2020	2019
Cash and cash equivalents	24 159 676	16 342 552
Short term investment deposits	360 000	360 000
Receivables from exchange and non exchange transactions	84 737 049	161 563 580

Interest rate risk

Deposits and overdue consumer debtors attract interest at a rate that varies with prime. The Municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus/deficit.

35. Going concern

We draw attention to the fact that at 30 June 2020, the municipality's current liabilities exceeded the current assets by R387 194 901 (2019: R235 803 860).

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

There was an outbreak of COVID-19 which was declared ■■ epidemic by the World Health Organisation and following that, the South Africa Government declared ■ nationwide lockdown. This negatively impacted the cashflows of the municipality as the collections were low. This was a threat to the going concern of the Municipality.

Despite the indicators above which are a threat to the going concern management considered the following matters relating to ensure the municipality continue operating on a going concern basis;

Notes to the Annual Financial Statements

	2020 R	2019 R

35. Going [redacted] (continued)

During the 2020 the council adopted the 2020/21 to 2022/23 budget. This three-year Mid Term revenue and expenditure framework (MTRE) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash backed over the three-year period.

The Municipality's budget is subjected to [redacted] very independent assessment process to asses its cash backed status before it is ultimately approved by council.

Strict daily cash management processes are embreded in the municipality's operations to mange and monitor all actual cash inflows and cash outflows in terms of the cashflow forecast supporting the budget. The cash mangement process is complimented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

The government received Municipal disaster relief grant to assist Municipalities in curbing the effects of covid-19.

Basis the above there is no material uncertainty that may cast significant doubt upon the municipality's ability to continue as [redacted] going concern and therefore whether the municipality will realise its assets and settle its liabilities in the ordinary course of business.

36. Events after the reporting date

There are no material events after the reporting date.

37. Unauthorised expenditure

Opening Balance	1 139 670 100	789 634 038
Unauthorised expenditure incured during the year	340 087 346	350 036 062
Total unauthorised expenditure	**1 479 757 446**	**1 139 670 100**

Notes to the Annual Financial Statements

	2020 R	2019 R
38. Fruitless and wasteful expenditure		
Opening Balance	10 416 541	7 602 312
Interest and penalties on late payment to suppliers	4 469 217	2 814 229
Fruitless and wasteful expenditure awaiting condonement	**14 [illegible] 758**	**10 416 541**
39. Irregular expenditure		
Opening balance	184 555 825	153 155 494
Add: Bid documents not submitted/ No contracts in place	2 682 455	12 503 517
Add: SCM and Tender processes not followed	15 658 995	15 658 995
Add: Irregular expenditure identified by AGSA	-	3 237 819
Irregular expenditure awaiting ratification and condonement	**[illegible] 275**	**184 555 [illegible]**
Details of irregular expenditure – current year		
Add: Bid documents not submitted/ No contracts In place		2 682 455
Add: SCM and Tender processes not followed		15 658 995
		18 341 450
40. Additional disclosure in terms of Municipal Finance Management Act		
Audit fees		
Opening balance	1 988 423	1 561 119
Current year subscription / fee	[illegible] 272 323	2 917 254
Amount paid - current year	-	(2 489 950)
	4 260 746	**1 [illegible] 423**
PAYE and UIF		
Current year subscription / fee	11 866 707	10 077 707
Amount paid - current year	(11 866 707)	(10 077 707)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	20 491 666	15 733 773
Amount paid - current year	(20 491 666)	(15 733 773)
	-	-
Distribution losses		
Electricity		
Electricity units (kWh) purchased from Eskom	47 305 918	51 731 965
Electricity units (kWh) sold to customers	(41 187 252)	(40 138 491)
	[illegible] 118 [illegible]	**11 [illegible] 474**

	2020 R	2019 R

40. Additional disclosure in terms of Municipal Finance Management Act (continued)

Electricity losses for the financial year is 12.93% (2019: 22.41%). The Electricity (losses in units) for the current financial year is 6 118 666 kWh (2019: 11 593 474 kWh). The Rand value of electricity losses is for the current financial year is R7 779 169 (2019: R11 946 238)

The losses are attributable to electricity line losses within the electricity network infrastructure.

Water losses		
Water (KL) purchased	4 796 509	5 245 241
Water (KL) sold to customers	(3 862 781)	(2 849 987)
	933 728	**254**

Water losses for the financial year is 19.47% (2019: 45.67%). The Water (losses in units) for the current year is 933 728 KL (2019: 2 395 254KL). The Rand Value of water losses for the current year is R11 515 034 (2019: R25 635 413).

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2020:

30 June 2020		Total R
Maxatshwa F		51 283
Masibi SO		22 386
Mogapi KA		14 025
Seakane MD		73 463
Seakane KS		1 813
Kgabi GV		49 432
Mokgabi PT		2 988
Pheiffer J		5 469
Mokgalagadi LS	-	44 988
Ntuli MN	-	7 426
Selebalo KJ	-	1 909
Maphatsoe BF	-	120 900
Phutiyagae AO	-	61 032
		457 114

30 June 2019	Total R
Maxatshwa F	54 111
Masibi SO	22 368
Mogapi KA	288
Seakane KS	3 850
Notwane MD	552
Kgabi GV	19 444
Moepi MM	15 772
Mokgalagadi LS	38 113
Ntuli MN	6 459
Selebalo KJ	600
Phutiyagae AO	51 742
Bolao T.P	42 576
	875

Notes to the Annual Financial Statements

	2020 R	2019 R

40. Additional disclosure in terms of Municipal Finance Management Act (continued)

Deviation from supply chain management regulations

Paragraph 12(1) of Government gazette No. 27636 issued 30 May 2005 states that supply chain management policy must provide for the procurement of goods and services by way of written/verbal quotations, formal written quotations and competitive bidding process, depending on the specified threshold values.

Paragraph 36 of the above mentioned gazette also provides that the Accounting Officer may dispense with the official procurement process in certain circumstances provided that he/she records the reasons for any deviations, reports them to the next meeting of the Council and include as a note to the financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12 (1) as stated above. The reasons for the deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviations from the normal supply chain management regulation.

The reasons for the deviations were mainly due to emergency cases and sole/single suppliers

The following are the deviations

Incident		
Thomas Clamp Pipe Repair 67-77MM supplied by Suidwes Landbou EDMS BPK - The whole of Kgakala does not have water due to the big leakage in the township. It is urgent that these clamps are procured and the water restored.	-	666
Flight Bookings for Mayor Kgabi, Speaker Notwane and Ms Bolao and Ms Tshingilane supplier being Flight Centre - SCM is unable to loggin into the CSD website to confirm suppliers who submitted quotations are registered or not. Therefore we cannot cnfirm registration status since CSD website is unaccessible for the past two days.	-	19 012
Service & Repair 3 X Vacuum cleaners on J/C W4159, W4160 and W4161 supplier being Service & Repair 3 X Vacuum cleaners on J/C W4159, W4160 and W4161	-	4 088
Precast Mark Type Toilet with Concrete Roof supplied by Sedepe Electrical - There is 4500 household living in Wollies Ext 17 and have only 8 VIP Toilets to share, this is unhealthy unhygienic especialy to the vulnerable section of society, children and women. There is also unrest as the same community is closing/bllocking the N12	-	155 100
Repair and Programming of Gate Electric supplied by A.E Van Niekerk - Request for quotes were sent to different service providers but only Lithotech responded. It has been two months since employees received their payslips	-	7 000
Pay Advices/Slips supplied by Lithotech - Request for quotes were sent to different service providers but only Lithotech responded. It has been two months since employees received their payslips	-	15 618
Calibration and Service of A Grade Vehicle Testing Station and Installation of new Software, Cameras and Printer supplied by Workshop Electronics Pty Ltd - Workshop Electronics is the Sole Provider for Militron VTS Equipment and Software that sincronise Militron Brake Test Equipment	-	58 029
31.5A Oefma Fuse, IPC Connector 25-95, Nitto Tape, Ferrule 16.0mm - Striker Pin Fuse's were blown by lightning and had to be replaced immediately to avoid litigations and for service delivery puposes. The normal process of 7 days advert could not be followed whick meant wolmaransstad town could have been without electricity for minimum of 10 days	66 849	-
Rental of 10 000 Lt clean water truck - Due to an unexpected brake down of both our water supply trucks and residents were up in arms fighting Council for water. Wolmaransstad is experiencig water shortages which when one of the trucks is broken communities in EXT 17, 13,10 and lebalemg will be without water for days.	22 540	-
Repair Clutch of Land Cruiser - The Municipality needed to repair the vehicle as it is the only one available to pull the sewer jet for the unbloacking of pipes around Maquassie Hills Local Municipality.	9 228	-

Notes to the Annual Financial Statements

	2020 R	2019 R
40. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Compilation of GRAP 17 and 21 mSCOA Compliant Register - Provincial Treasury appointed a service provider for compilation of Annual Financial Statements on behalf of the Municipility and did not include Valuation of long service bonus .For Municipality to submit Annual Financial Statements on time we had to deviate since the information was needed for submission with the Annual Financial Statements. Appoinmet was done on the 6th of August 2019 and the Municipality had about 3 weeks to submit draft Annual Financial Statements for review by Audit Committee and Provincial Treasury and subsequently submit to Auditor General on the 31st of August 2020.	77 100	-
Supply of XLPE 11kv Cable, Joints and Ferrules - The cable fault happened on a Saturday and it affected 50% of Wolmaransstad Town. Due to pressure from businesses around town threating to sue the Municipality for loss of income. Several companies were contacted and CMS was the only Service provider who had stock on hand.	91 400	-
Striker Pins - Nic Bodenstein Hospital was without elelctricity and their standby generator was also not working, and the Municipality had to deviate to ensure patients dependent on oxygen were not affected.	31 355	-
100kva 11000 -400volts aluminium pole transformer - The electricity blackout due to the broken-down transformer affecting numerous places in Leeudoringstad notably affecting the generator of borehole meter for cattle farming and residents.	52 121	-
Disinfection of municipal offices and fleet - There's a to need to disinfect the workplace to make it ready for workers to return to work in preparation of Financial year end as per Health Regulations	179 648	-
Traffic uniform for 6 traffic officers - Although a request [redacted] forwarded to various Suppliers only two quotes were received and approval was obtained from CFO to continue with Procurement.	21 095	-
Calibration of Prolaser 4 speed machine serial number LF14580 - Currently Truvelo Manufacturers is the only provider who can calibrate the prolaser 4 as they are the sole provider of the equipment.	4 785	-
Covid19 related material - Procurement of items for essential services workers and those that had to report for duty to assist with year end.	113 624	-
Stands for Water tanks - Three quotations were obtained and the process of advertising for 7 days was not followed reason being water [redacted] needed at the locations and the structures has to be erected as soon as possible to increase the supply of water to curb the spread of the coronavirus . Water tanks were already donated by the Department of Water Affairs to address the issue of water shortages at locations during lockdown.	70 760	-
Tracking System for new 10 municipal vehicles - The three qoutes were obtained and the process of not advertising for seven days was not followed since most of our fleet is outdated and service delivey was faling behind sice teams did not have transport to attend to call outs	71 640	-
Supply and Delivery of Hand Sanitizer's, hand soap, surgical masks, surgical gloves, sanitary wipes for Covid-19 - Supply of Covid 19 related material for essetials workers who will be on duty during the lockdown.	186 300	-
Procurement of water Truck for tankering - The municipality was forced to deviate from normal tending processes to support the Government effort to curb the spreading of Covid 19, unfortunately the Department of Water & Sanitation only supported [redacted] with one truck while insisted of three.	532 335	-
	1 530 780	**[redacted] 513**

Notes to the Annual Financial Statements

	2020 R	2019 R

41. Prior period [redacted]

Statement of Financial Position

	Note(s)	Previously reported R	Adjustment R	Re-classification R	Restated R	Re
Assets						
Current Assets						
Inventories	3	662 344	-	-	662 344	
Other financial assets	4	360 000	-	-	360 000	
Receivables from non exchange transactions	5	40 372 991	17 944 026	-	58 317 017	[1]
Receivables from exchange transactions	6	100 665 609	2 581 151	-	103 246 760	[1]
Vat Receivable		24 736 869	(154 170 641)	-	(129 433 772)	[2]
Cash and cash equivalents	7	1 916 169	14 426 383	-	16 342 552	[3]
		168 713 982	**(119 219 081)**	**-**	**49 494 901**	
Non-Current Assets						
Investment property	8	66 492 000	(42 000)	-	66 450 000	[4]
Property, plant and equipment	9	988 051 450	11 240 485	-	999 291 935	[5]
Other financial assets	4	27 714	-	-	27 714	
		1 054 571 164	**11 198 485**	**-**	**1 065 769** [redacted]	
Non-Current Assets		1 054 571 164	11 198 485	-	1 065 769 649	
Current Assets		168 713 982	(119 219 081)	-	49 494 901	
Total Assets		**1 223 285 146**	**(108 020 596)**	**-**	**1 115 264 550**	
Liabilities						
Current Liabilities						
Other financial liabilities	10	14 560 566	-	(4 803)	14 555 763	
Payables from exchange transactions	11	264 942 864	952 670	-	265 895 534	[6]
VAT payable	12	-	(128 751 052)	-	(128 751 052)	
Consumer deposits	13	2 259 725	2 925	-	2 262 650	[9]
Employee benefit obligation	14	1 111 834	-	-	1 111 834	
Unspent conditional grants and receipts	15	1 472 783	-	-	1 472 783	[7]
Provisions	16	787 763	(787 763)	-	-	[12]
		285 135 535	**(128** [redacted] **220)**	**(4 803)**	**156 547 512**	
Non-Current Liabilities						
Other financial liabilities	10	36 047 298	-	4 803	36 052 101	[8]
Employee benefit obligation	14	22 134 241	-	-	22 134 241	
Provisions	16	23 601 194	32 239 604	-	55 840 798	[9]
		81 782 733	**32** [redacted]	**4 803**	**114 027 140**	
Non-Current Liabilities		81 782 733	32 239 604	4 803	114 027 140	
Current Liabilities		285 135 535	(128 583 220)	(4 803)	156 547 512	
Total Liabilities		**366 918 268**	**(96 343 616)**	**-**	**270 574 652**	
Assets		1 223 285 146	(108 020 596)	-	1 115 264 550	
Liabilities		(366 918 268)	96 343 616	-	(270 574 652)	
[redacted] **Assets**		**856 366 878**	**(11 676 980)**	**-**	[redacted] **898**	

41. Prior period errors (continued)

Accumulated surplus	856 366 878	(140 428 032)	- 715 938 846	[10]

* See Note 41

41. Prior period [redacted] (continued)

Statement of Financial Performance

	Note(s)	Previously reported R	Adjustment R	Re-classification R	Restated R	Re
Revenue						
Revenue from exchange transactions						
Licenses and permits		3 960 765	-	-	3 960 765	
Service charges	18	165 341 112	-	-	165 341 112	
Rental of facilities and equipment	19	459 283	-	-	459 283	
Other income		1 451 413	-	-	1 451 413	
Interest revenue	20	73 293 517	1 015 228	-	74 308 745	[10]
Total [redacted] from exchange transactions		**244 [redacted]**	**1 015 228**	**-**	**[redacted] 521 318**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	21	41 443 775	-	-	41 443 775	
Transfer revenue						
Government grants & subsidies	22	174 241 763	-	-	174 241 763	[7]
Fines, Penalties and Forfeits		30 362 189	-	-	30 362 189	
Total revenue from non-exchange transactions		**246 047 727**	**-**	**-**	**246 047 727**	
		244 506 090	1 015 228	-	245 521 318	
		246 047 727	-	-	246 047 727	
Total [redacted]	17	**490 553 817**	**1 015 228**	**-**	**491 [redacted]**	
Expenditure						
Employee related costs	23	(74 084 118)	571 297	-	(73 512 821)	[11]
Remuneration of councillors	24	(9 152 726)	15 012	-	(9 137 714)	[11]
Depreciation and amortisation	25	(36 024 710)	(2 772 760)	-	(38 797 470)	[5]
Finance costs	26	(10 235 834)	(6 219 975)	-	(16 455 809)	[13]
Debt Impairment	27	(157 545 756)	(152 435 413)	-	(309 981 169)	[1]
Bulk purchases	28	(103 453 215)	(5 990 467)	-	(109 443 682)	[12]
Contracted services	29	(39 985 230)	2 449 827	-	(37 535 403)	[12]
Repairs and maintenance		(3 805 764)	3 805 764	-	-	[13]
General Expenses	32	(29 918 849)	3 015 129	-	(26 903 720)	[12]
Total expenditure		**(464 206 202)**	**(157 [redacted] 586)**	**-**	**(621 767 788)**	
		-	-	-	-	
Total revenue		490 553 817	1 015 228	-	491 569 045	
Total expenditure		(464 206 202)	(157 561 586)	-	(621 767 788)	
Operating deficit		**26 347 615**	**(156 [redacted] 358)**	**-**	**(130 [redacted] 743)**	
Fair value adjustments	45	-	(42 000)	-	(42 000)	[23]
Actuarial gains/losses	14	12 394 150	-	-	12 394 150	
		12 [redacted] 150	**(42 000)**	**-**	**12 [redacted] 150**	
Operating surplus/deficit		12 394 150	(42 000)	-	12 352 150	
Deficit before taxation		38 741 765	(156 588 358)	-	(117 846 593)	
Taxation		-	-	-	-	
Deficit for the year		**38 741 765**	**(156 588 358)**	**-**	**(117 846 593)**	

[1] Receivables form exchange and non exchange transactions [redacted] adjusted to agree the ledger balances to age analysis. Furthermore impairement was incorrectly calculated [redacted] corrected.

* See Note 41

Statement of Financial Performance

	Note(s)	2020 R	2019 Restated* R

41. Prior period errors (continued)

[2] VAT receivable was adjusted by due to reversal of an vat on accual incorrectly calculated. The accounts affected include payables from exchange transactions and receivables from exchange and non exchange.

[3] Restatements to the comparative figures were made to account for the differences which were identified between the cash book, the financial statements, the bank reconciliation statement and the bank confirmations for the previous financial year

[4] Investment property was as adjusted as there were some properties which were not included in the register prior year. This also resulted in adjustment to fair value adjustment in the income statement.

[5] Property plant and equipment was adjusted as a result of assets which were not included in the asset register in prior year. This also resulted in increase in depreciation.

[6] Payables from exchange transactions was adjusted as trade payables and accruals were incorrectly determined in the prior year.

[7] Finance costs were restated due to remapping of landfill site interest from general expenditure to finance costs.

[8] Other financial liabilities was adjusted due to reclassification of currect and non current portion incorrectly determined in prior year.

[9] Errors were identified on the calculations for the provision for the previous financial years. The previous years' calculations did not refer to the most relevant approved closure license conditions. Recalculations were performed and the comparative figures were therefore adjusted accordingly.

[10]Interest and other income were adjusted due to reclassification of transactions.

[11] Employee related costs and remuneration of councillors was adjusted due to incorrect reconciliations performed in the prior year. -

[12] Vat input on some transactions was incorrectly determined. Furthermore some expenditure transations were incorrectly classified resulting in adjustment in contracted services, general expenditure, and bulk purchases. -

[13] Repairs and maintenance had been reclassified and had been disclosed under general expenditure. -

[14] Finance costs on other financial liabilities and landfill site was incorrectly posted in general expenditure vote now corrected resulting in increase.

Unspent conditional grants and receipts was adjusted by R- relating to adjustment processed to reverse conditional grants revenue which had been recognised on municipality's own expenditure in error.

Bulk purchases were restated by R5 990 466 to correct for cut off errors and mis posts errors during 2018/19

Consumer deposits were adjusted for by R2 924 as a result of a difference between the register and the AFS

An amount of R4 803 was reclassified from current Other financial liabilities to noncurrent Other financial liabilities as a result of a classification error

42. Related parties

Relationships

* See Note 41

Statement of Financial Performance

	Note(s)	2020 R	2019 Restated* R

42. Related parties (continued)

DR Kenneth Kaunda District Municipality	Refer to note
Department of Transport	Refer to note 11
VE Zikalala	Director - Molete Nare Properties
VG Nicodemus	Director - Ditirelo Farming Director GVN Consulting

Refer to senior managers disclosed under note 23 where salaries paid to senior managers had been disclosed.

* See Note 41

Statement of Financial Performance

	Note(s)	2020 R	2019 Restated* R
43. Cash generated from operations			
Deficit		(165 047 067)	(117 846 593)
Adjustments for:			
Depreciation		50 666 002	38 797 470
Gain on sale of assets and liabilities		245 230	-
Debt Impairment		327 349 861	309 981 169
Fair value adjustments		(8 203 442)	42 000
Gain (loss) on sale of asset		-	354 130
Increase/(decrease) in employee benefit obligation		(4 641 075)	(2 766 434)
(Decrease)/increase in provisions - Landfill site		1 984 245	2 649 766
Other non-cash items		9 216 056	-
Transfers of WIP to Infrastructure		18 667 207	49 496 466
Changes in working capital:			
Inventory		138 057	158 002
Receivables from exchange and non-exchange transactions		(250 156 677)	(234 490 697)
Payables from exchange transactions		57 782 057	44 917 151
VAT		14 025 439	13 467 486
Unspent conditional grants and receipts		364 633	(870 832)
Consumer deposits		89 279	(6 010)
		52 479 805	**103 883 074**

44. Budget differences

Material differences between budget and actual amounts

Changes from the approved budget to the final budget

1 - Due to the closure of the traffic department during the lockdown, licences and permits could not be issued.

2 - During to lockdown the municipality had a complete halt of rental of its facilities and equipment.

3 - Most part (approximately 8 million) was for vat refund which is disclosed as part of vat receivable.

4 - As a result of the municipal offices closing down for months, the municipality could not collect as planned which resulted in a spike in interest on uncollected revenue.

5 - The Municipality had budgeted Provincial Infrastructure Grant based on on the assuimption that they will get more funding. Actual confirmation was obtained after the adoption of the grant.

6 - Due to traffic department operating at half capacity and reduced offences as a result of Covid 19 restrictions and curfew.

7 - The municipality made a saving from unfilled vacancies it had budgeted for at the beginning of the financial period.

8 - Reduced collections/ poor cashflow resulted in the municipality not being able to cater for its interest expenditure as planned.

* See Note 41

Notes to the Annual Financial Statements

44. Budget differences (continued)

9 - In the absence of full municipal stuff compliment, there was an increase in the need for additional consultations and for services which were unavoidable like repairs and maintenance which influenced the overperformance of contracted services.

10 -Reduced activities at municipal property during the lockdown resulted in a huge saving as it reduced the consumption that directly informs the general expenditure.

Cash Flow Statement:

All adjustments to the cash flow statement are attributable to the adjustments highlighted above.

45. Fair value adjustments

Other financial assets and investment property		
▪ Other financial assets and investment property	8 203 442	(42 000)

46. Change in estimate

Employee Benefits

There was a change in the actuarial judgement on the demographic assumptions. In 2019 the retirement age was a point estimate of 62 years of age, that is, assuming that everybody will on average retire at the age of 62 years. In 2020 we have used a range of possible ages (around 62) from age 60 to 65 years. This together with the decreased repo rate during the second half of the financial year resulted in a decrease of R4 641 034 in the balance of the liability